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> Understanding unemployment and the loss of work during the COVID-19 period: An Australian and International perspective

# Understanding unemployment and the loss of work during the COVID-19 period: An Australian and International perspective

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The various social, economic and labour market restrictions to slow the spread of COVID-19, and government support packages to mitigate their impact, have had wide ranging effects on the labour market which can be observed through the range of existing labour market statistics. Similarly, the nature and timing of the implementation of restrictions, and efforts to progressively relax and lift them (or, at times, reimpose them), have differed across countries (and sometimes across states or regions).

This article:

- provides an example of an additional approach the Commonwealth Treasury is taking to understand unemployment and the loss of work since the start of the COVID-19 pandemic, and
- compares the latest estimates of unemployment, unemployment rates and participation rates for Australia with those in the US and Canada.

## Unemployment and job loss in Australia during the COVID-19 period

There are many ways to analyse unemployment and the loss of work using ABS Labour Force Survey statistics since the start of the COVID-19 period. For example, the Commonwealth Treasury has produced a composite measure, based on changes since March, which has been termed the 'effective unemployment rate'. This measure includes unemployed people, plus employed people who still had a job but worked zero hours for economic reasons (Group 2 in Table 1 below), plus the net change in people in the labour force since March 2020, as a proportion of the labour force at March 2020.

In addition to considering net changes in the Labour Force (which can be found in Time series spreadsheet Table 1 of [Labour Force, Australia \(/statistics/labour/employment-and-unemployment/labour-force-australia/jul-2020/\)](/statistics/labour/employment-and-unemployment/labour-force-australia/jul-2020/), the ABS also produces information on the underlying components of this net change - the flows into and out of the labour force. Information on these flows is available, in original terms, in datacube GM1 and was used to produce [Flows into and out of employment and unemployment \(/articles/flows-and-out-employment-and-unemployment/\)](/articles/flows-and-out-employment-and-unemployment/) in the June issue of Labour Force, Australia.

## Comparing Australian, US and Canadian labour market measures

In addition to their experiences with COVID-19 being different to Australia, there are some key differences in the approach used in the US and Canada to classify people who have been stood down and are not working for a short period, compared to Australia and other OECD countries. For further information on these differences, see [Employment and Unemployment: An International perspective \(/articles/employment-and-unemployment-international-perspective-april-2020/\)](/articles/employment-and-unemployment-international-perspective-april-2020/).

Additional estimates are provided to support more effective comparisons with the US and Canadian estimates from April to July. The differences in the treatment of stood-down workers are usually not material to cross country comparisons, but at a time of major shutdown in the economy, where large numbers of people have been stood down, they become important.

Table 1 shows that the unemployment rate in the US rose sharply between March and April (from 4.4% to 14.7%), before steadily decreasing to 10.2% July. In Canada, the unemployment rate also rose sharply between March and April (from 7.8% to 13.0%), and

increased again in May. It has since fallen, from 13.7% in May to 10.9% in July.

In contrast, the official unemployment rate in Australia has continued to increase since March. However, the additional comparison rates in this article have, like in the US, been decreasing since April. For example, if people working zero hours who indicated they had been 'stood down' (Group 1) were added to the unemployed estimate, the comparative rate in Australia would have increased from 5.3% in March to 9.5% in April, before falling to 7.8% in July. Similarly, if including 'Group 2', the comparative rate in Australia would have increased from 5.4% in March to 11.8% in May, before falling to 8.3% by July.

Changes in the official participation rates were more consistent over the period, although the US and Canada both reported their lowest estimate in April, compared to May for Australia.

#### **Table 1: Comparison of US and Canadian labour market measures with Australian official and additional estimates**

	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Jun to Jul change	Mar to Jul change
<b>Unemployed persons</b>							
Australia	716,100	841,900	923,000	993,700	1,009,400	15,700	293,300
Australia (including employed people in Group 1)	725,300	1,254,500	1,061,800	1,069,800	1,053,800	-16,000	328,500
Australia (including employed people in Group 2)	743,600	1,561,100	1,233,600	1,171,200	1,118,300	-52,900	324,700
Canada (includes temporary layoffs)	1,547,000	2,418,300	2,619,200	2,452,600	2,183,600	-269,000	-636,600
United States (includes temporary layoffs)	7,140,000	23,078,000	20,985,000	17,750,000	16,338,000	-1,412,000	9,198,000
<b>Unemployment rate</b>							
Australia	5.2%	6.4%	7.1%	7.4%	7.5%	0.0 pts	2.3 pts
Australia (including employed people in Group 1)	5.3%	9.5%	8.1%	8.0%	7.8%	-0.2 pts	2.5 pts
Australia (including employed people in Group 2)	5.4%	11.8%	9.5%	8.8%	8.3%	-0.5 pts	2.9 pts
Canada	7.8%	13.0%	13.7%	12.3%	10.9%	-1.4 pts	3.1 pts
United States	4.4%	14.7%	13.3%	11.1%	10.2%	-0.9 pts	5.8 pts
<b>Participation rate</b>							
Australia	65.9%	63.6%	62.7%	64.1%	64.7%	0.6 pts	-1.3 pts
Canada	63.5%	59.8%	61.4%	63.8%	64.3%	0.5 pts	0.8 pts
United States	62.7%	60.2%	60.8%	61.5%	61.4%	-0.1 pts	-1.3 pts

Source: Labour Force, Australia Table 1 (Unemployed), Labour Force, Australia, Detailed datacube EM2a (Group 2) and Unpublished data (Group 1); Statistics Canada; US Bureau of Labor Statistics.

Group 1' refers to employed people working zero hours who were 'stood down'. 'Group 2' refers to employed people working zero hours who had 'no work, not enough work available or were stood down'. Group 1 and Group 2 have had a basic seasonal adjustment applied. The 'seasonally adjusted' estimates for Group 1 and Group 2 are calculated by taking the original estimate for the current month and subtracting the original estimate for the same month of the previous year.

The US Bureau of Labor Statistics noted that some people on temporary layoff were not classified as such and the unemployment rate could have been 1 point higher in July (almost 1 pt higher in June, 3 pts higher in May, and 5 pts higher in April).

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